

Message Text

UNCLASSIFIED

PAGE 01 CARACA 10443 311744Z

64

ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 FRB-01

INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 L-03 H-02

PA-02 PRS-01 INT-05 DOTE-00 /104 W

----- 055173

R 302045Z AUG 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 4565

INFO USDOC WASHDC

DEPARTMENT OF TREASURY WASHDC

UNCLAS CARACAS 10443

DEPARTMENT PASS EMIXBANK

E.O. 11652: N/A

TAGS: BENC, EFIN, VE

SUBJ: PUBLIC CREDIT LAW FINANCING FIFTH PLAN

PROJECTS SIGNED BY PRESIDENT PEREZ

REF: CARACAS 9498, CERP D

1. WITH THE STATEMENT THAT IS AN INDISPENSABLE INSTRUMENT FOR THE DEVELOPMENT OF THE COUNTRY, PRESIDENT SCARLOS ANDRES PEREZ SIGNED THE LEY DE CREDITO PXIBLICO AUGUST 26, AT A CEREMONY CONDUCTED IN THE PRESENCE OF AN ASSEMBLAGE OF ECONOMIC AND POLITICAL LEADERS IN MIRAFLORES PALACE. IN THE SAME SPEECH, WHICH WAS BROADCAST ON NATIONAL TELEVISION, THE PRESIDENT DEFENDED HIS GOVERNMENT'S HANDLING OF THE NIEHOUS CASE AND DESCRIBED THE LEY DE DEFENSA Y SEGURIDAD WHICH HE ALSO SIGNED AT THIS CEREMONY. THE LATTER LAW PROHIBITS THE OWNERSHIP BY FOREIGNERS OF LANDS IN FRONTIER OR SECURITY ZONES. (SEPARATE REPORT WILL FOLLOW.)

2. THE PUBLIC CREDIT LAW IN EFFECT AUTHORIZES THE
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 CARACA 10443 311744Z

CENTRAL GOVERNMENT TO ENGAGE IN PUBLIC CREDIT OPERATIONS

NECESSARY TO FINANCE CERTAIN PROJECTS IN THE FIFTH PLAN, OVER THE PERIOD 1976 TO 1980. THE LAW AUTHORIZES LOANS FROM THE VENEZUELAN INVESTMENT FUND TO AUTONOMOUS ENTITIES AND ALLOWS EXECUTING AGENCIES, BOTH MINISTRIES

AND AUTONOMOUS ENTITIES, TO BORROW, EITHER DOMESTICALLY OR FROM FOREIGN SOURCES WITH THE GUARANTEE OF THE STATE, SPECIFIED AMOUNTS NECESSARY TO CARRY OUT GIVEN DEVELOPMENT PROJECTS. THESE LOANS ARE TO SUPPLEMENT CENTAL GOVERNMENT BUDGETARY ALLOCATIONS TO THE MINISTRIES, FUNDS GENERATED INTERNALLY BY THE EXECUTING AGENCIES AND EQUITY INVESTMENTS IN THE AUTONOMOUS ENTITIES AND ARE IN EFFECT THE "NET TO BE FINANCED" RESIDUAL AFTER APPLYING THESE INTERNAL RECOURSES TO THE PLANNED PROJECT INVESTMENTS.

3. THE TOTAL LOAN AMOUNTS AUTHORIZED WERE 1) FROM THE VENEZUELAN INVESTMENT FUND, LOANS OF UP TO BS 12,370 MILLION AND B) FROM OTHER SOURCES, DOMESTIC OR FOREIGN LOANS OF BS 19,384 MILLION. THE LION'S SHARE OF THE BORROWING AUTHORITY WAS EXTENDED TO THE ELECTRICITY SECTOR, IRON AND STEEL, TRANSPORTATION AND COMMUNICATIONS, AND ALUMINIUM. NOT MENTIONED IN THE PUBLIC CREDIT LAW WAS ANOTHER BS 7,651 MILLION EQUITY CONTRIBUTION BY THE INVESTMENT FUND TO AUTONOMOUS AGENCIES.

4. WHILE THE LAW CRITICIZED BY THE OPPOSITION AS EXTRAVAGANT AND COMPROMISING THE FINANCIAL INTEGRITY OF VENEZUELA. (IT WAS PASSED WITH A MINIMUM OF DEBATE IN CONGRESS), THERE APPEAR TO BE SEVERAL SIGNIFICANT REDUCTIONS IN THE FINANCING OF MAJOR PROJECTS. WHILE DEFINITIVE ANALYSIS HAS TO AWAIT RECEIPT OF THE GAZETA OFFICIAL AND CONSULTATION WITH PLANNING OFFICIALS AS TO REASONS FOR THE APPARENT SHORTFALLS, THE FOLLOWING PROJECTS APPEAR TO HAVE BEEN CUT BACK.

A) PLAN FOUR SIDOR STEEL PLANT EXPANSION:
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 CARACA 10443 311744Z

PROGRAMMED INVESTMENT, BS 15.2 BILLION;
PLANNED BORROWINGS, BS 2.8 BILLION;
AUTHORIZED BY CREDIT LAW, 817 MILLION;
SHORTFALL BS 2.0 BILLION.

B) EDELCA, GURI HYDROELECTRIC PLANT EXPANSION AND CADAPE, OTHER ELECTRIC PROJECTS: PROGRAMMED INVESTMENT, BS 17.7 BILLION;(PLANNED BORROWINGS,

BS 6.8 BILLION; AUTHORIZED BY CREDIT LAW,
BS 5.3 BILLION; SHORTFALL BS 1.5 BILLION.

C) OTHER APPARENT REDUCTIONS IN PLANNED
BORROWING AUTHORITY WERE IMPOSED ON INOS
WATER AND SEWAGE PROJECTS (BS 375 MILLION),
CAVN PURCHASE OF SHIPS (BS 100 MILLION),
COVINCA SHIPBUILDING YARD (BS 80 MILLION)
AND ALUMINIO DE CARONI ALUMINIUM PLANT (BS 110
MILLION).

D) THE PUBLIC CREDIT LAW AUTHORIZED THE FULL
AMOUNT FOR RAILROADS CONTEMPLATED IN THE PLAN,
BS 1 BILLION, WHICH, HOWEVER, IS INSUFFICIENT
IF THE RAILROAD EXPANSION WILL COST AROUND
ONE BILLION DOLLARS AS RUMORED.

5. EMBASSY WILL SUBMIT AIRGRAM SHORTLY RE THE IMPACT
OF THE PUBLIC CREDIT LAW ON MAJOR PROJECTS IN THE PLAN.
VAKY

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CREDIT, LAW, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CARACA10443
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760330-1122
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976088/aaaaaggc.tel
Line Count: 135
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 CARACAS 9498
Review Action: RELEASED, APPROVED
Review Authority: ullricre
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAR 2004 by ReddocGW>; APPROVED <28 JAN 2005 by ullricre>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PUBLIC CREDIT LAW FINANCING FIFTH PLAN PROJECTS SIGNED BY PRESIDENT PEREZ
TAGS: BENC, EFIN, VE, (PEREZ, CARLOS ANDRES)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006